*Digital Workplace Service*

**First Cut**

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**Issue**: Who are the UCC providers and how will they evolve?

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## Cisco Acquires AI Provider MindMeld; UCC Industry Put on Notice

**Summary**: On May 11th, 2017, Cisco announced the intent to purchase Artificial Intelligence Startup MindMeld, which is known for its Conversational AI platform.

**Event**: Cisco announced that it is buying privately held MindMeld for US $125M in Cash and Equity awards. The deal is expected to close in Cisco's fourth quarter.

### Analysis

With the acquisition of MindMeld, Cisco becomes an AI and Machine Learning Provider and at the same time, serves notice that the era of analog UCC software is over. While the Cisco Collaboration Group is making this move, we expect that other Cisco Divisions will benefit from being able to leverage both the Machine Learning algorithms and the Natural Language Processing in the MindMeld platform.

For Cisco, buying MindMeld signals two things. First, that it recognizes the shift to the era of Intelligent Software and it is spending its cash to move its products and services into the Intelligent era faster.

Second, it is serving notice that the era of analog UCC Suites is over. In fact, as part of the announcement, the group that MindMeld is joining under the leadership of SVP and GM Jens Meggers, is now called the Cognitive Collaboration team.

Cisco has been relatively reserved in its acquisitions over the last two years, but with the move into AI, which is now a race for talent, we expect Cisco to make further acquisitions in order to be able to compete against providers such as Amazon and Microsoft.

### MindMeld and Spark – AI Based Collaboration

While Cisco had already demonstrated the ability to speak to a Cisco Spark Room Kit at Enterprise Connect, with MindMeld they now have an AI engine to be able to allow people to have intelligent conversations.

We see Intelligent Room Systems as the future and Digital Assistants will be part of an Intelligent Room offering that with natural language, can do more of the mundane tasks for people (e.g. starting a meeting). In the future, Cisco will be able to leverage MindMeld to build all kinds of Apps that can talk to people and process information.

### Bots that Type and Talk

Besides Cisco Spark Board and Cisco Room Kit becoming more intelligent, Cisco can now offer a variety of AI based applications in its Spark UCC Platform (see Aragon Globe for UCC Platforms, 2017). The power of Natural Language processing, combined with a full AI platform designed for interactions with people, is what Aragon has referred to as AI-based Chatbots.

MindMeld has three key product application segments (see table on page 2):

| Item | Capability |
|------|-----------|
| **Language Parser** | Classification<br>Parsing<br>Sentiment |
| **Question Answerer** | Knowledge Graph<br>Reasoning<br>Ranking<br>Recommendations |
| **Dialog Manager** | Natural Language Generation<br><br>Dialog Tracking, Modeling<br><br>Slot Filling |

### UCC Market is Put on Notice

While there are many UCC Providers racing to offer an integrated Omnichannel offering that includes Messaging, Voice, Video, and Collaboration, many are not making investments in AI. Cisco's move will now force others to respond.

It is clear to Aragon that the future of work will be AI-powered. Enterprises will need to understand this shift, as it will mean that some providers may not make the shift to AI-powered applications and platforms.

### Cisco Versus Tech Titans

To date it has been the tech titans, Amazon, Apple, Google, IBM, Microsoft, and Salesforce, that have made the largest investments in AI. Now with Cisco in the game, other providers will have to place their bets.

Cisco will face tough competition in the race to be a leader in AI. We expect Cisco to use its cash to make a number of investments in its various businesses to make them AI-enabled. The

question is – can Cisco build a platform like the other Tech Titans are doing? The good news is that it is still early days in AI. That said, major players are placing their bets and we expect a race to acquire emerging AI providers.

**Prediction**: *By YE 2019, 50% of existing AI Providers will be acquired by existing Technology Providers.*

### Aragon Advisory

- Enterprises should ask Cisco and all other UCC providers for their roadmap for AI.

- Intelligent Collaboration that is AI based will become a reality by 2018. Enterprises need to prepare now by doing pilots now and converting those to production in 2018.

- Enterprises need to understand Licensing Models for Web and Video Conferencing.

### Bottom Line

Enterprises looking for AI based offerings for Collaboration should evaluate Cisco Spark as well as future offerings from others. The workplace of the future means Collaboration and Communication capabilities will be smarter and enterprises need to understand the level of capabilities that providers will offer that make them intelligent.

### Related Aragon Research

- The Aragon Research Globe for UCC, 2017

- The Aragon Research Technology Arc for Artificial Intelligence, 2017